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Chair

Mr. Tom Lukiwski

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● (1155)

[*English*]

The Chair (Mr. Tom Lukiwski (Moose Jaw—Lake Centre—Lanigan, CPC)): Colleagues, I'd like to convene the meeting now. Even though we haven't got a full complement of committee members, we do have quorum.

I have a couple of notes before we begin. Because we have votes, our meeting will be shorter than usual, but I will attempt to get in a full round of questions within the first hour. That means the full seven-minute, five-minute, and additional three-minute rounds of questions. That should allow us enough time to deal with the little bit of committee business in camera, which I would like to deal with. We might have to sit a few minutes past 1:00 p.m. to get that all in, but I think we should be able to accommodate everything we need to accomplish today.

Mr. Pagan, welcome to you and your associates. I understand through a brief conversation prior to votes that you have a very brief opening statement, following which we will go immediately to questions.

Mr. Pagan, please go ahead.

[*Translation*]

Mr. Brian Pagan (Assistant Secretary, Expenditure Management Sector, Treasury Board Secretariat): Thank you, Mr. Chair.

I am happy to be here again.

Today I am going to talk about program-based parliamentary control and about our pilot project with Transport Canada.

[*English*]

I'm joined by my colleague Marcia Santiago, and by André Lapointe and Karen Cahill from the Department of Transport Canada.

Mr. Chair, as you know, the President of the Treasury Board presented the committee with a discussion paper on estimates reform in the fall of 2016. That proposed reform agenda had four pillars—timing, reconciliation of scope and accounting methods, vote structure, and enhanced reporting. We're here today to explain how we approached the third pillar of that agenda—that is to say, vote structure—through a pilot project with Transport Canada. We'll share what we learned and seek the committee's thoughts on where to go from here.

As you know, Parliament controls appropriations by the nature of the planned expenditure—that is, through distinct votes for each department by the nature of the input: capital, operating expenses, and grants and contributions. There are currently 200 separate voted appropriations approved by Parliament.

However, parliamentarians have also called for a program-based control structure that would strengthen the link between departmental programs and voted funds. This was a specific recommendation of this committee, of OGGO, in 2012. The president's discussion paper on estimates reform responded to the spirit of that OGGO recommendation by proposing a purpose-based control structure based on the Treasury Board results policy, and through this pilot project Transport Canada is testing a form of purpose-based control of its grants and contributions vote.

Mr. Chair, that's basically the issue before us. Parliament is currently appropriating funds by input, operating capital, grants and contributions. We have a new structure in place now, the departmental results framework that I presented to this committee some weeks back, which would present an alternate way of presenting information to Parliament for its appropriations.

As a very simple example, I have cited my own department, Treasury Board Secretariat. We currently have a single program expenditure vote for the department, and that's for $233 million, but our core responsibilities are broken out according to our role as the expenditure authority of government, the employer of government, our responsibilities for administrative policies, and regulatory oversight. There is an option going forward to have Parliament take our appropriation requirements and appropriate funds on that basis.

Mr. Chair, that is essentially the issue before us. We have a lot of information here about how the pilot was structured and what the department experienced in terms of challenges and benefits, and we'd be happy to speak to that by responding to questions from the committee.

● (1200)

The Chair: Thank you very much for your brief comments.

We will now go into questions, and our first seven-minute intervention will be from Mr. Peterson.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): Thank you, Mr. Chair, and thank you, everyone, for being here today.

We're continuing, as you know, our review of the new process that we see under estimates reform. I just have a few questions and, Mr. Pagan, I'm going to start with you, probably not surprisingly.

Just to get some context, I'm just trying to find a quote here. In February 2018, the chair of the Standing Senate Committee on National Finance told Treasury Board officials, "purpose-based votes are clearer, and we would like you to expand the project". That, to me, seems like an endorsement, but I think some prescriptive measures are also indicated in that statement. Has TBS taken any steps following the chair's comments on that at that Senate committee in February? If so, what are those steps?

Mr. Brian Pagan: Thank you, Mr. Peterson.

We're well aware of the Senate committee's interest in this area and specifically with respect to how the results framework—the new Treasury Board policy on results—could be used as a basis of parliamentary control. We have not proceeded any further than the current pilot project simply because we are looking to first assess whether this is meeting parliamentarians' needs and then to discuss some of the advantages and disadvantages of that project.

To be very clear, I'll draw the committee's attention to the deck that was prepared as background for this meeting. On page 5 of that deck, we present the main estimates for Transport Canada. We see that in 2015–16, before the pilot project, Parliament approved $683 million in grants and contributions through Transport Canada's vote 10. Within that single vote, there were six different grants and 20 different contributions. The department was able to manage the requirements in that single vote.

As a result of the pilot project in 2016–17, we disaggregated Transport Canada's requirements by purpose. We had a separate vote for grants and contributions related to gateways and corridors, totalling $258 million; a separate vote for grants and contributions related to transportation infrastructure, of $103 million; and a third vote, which was an aggregate of smaller requirements.

This is exactly what we mean by purpose-based votes. We disaggregated the one big number according to the purposes of the department. In our view, that provides a line of sight based on the specific purpose of the program, and it provides ongoing information throughout the year.

On page 6, we see that in 2016–17 there was a difference between what was authorized—$437 million in votes—and what was actually spent, $312 million. You can break that out by the lapse. We see that the biggest lapse—$101 million—was in the biggest vote, which was for gateways and corridors. There, $258 million was approved and $157 million was spent. That will introduce questions about the program dynamics, in that it was not able to expend the money authorized by Parliament.

This is exactly what we mean by purpose-based control. We are disaggregating a big number by the purpose of the program so that there is an enhanced line of sight in reporting in this area.

Mr. Kyle Peterson: Thank you for that.

I take it from this example that as parliamentarians, perhaps we should first turn our eyes to the lapse when we're doing the review. If a lapse seems to be a significant part of the authorized amount, should that present a red flag to us as parliamentarians reviewing this?

Mr. Brian Pagan: That's a terrific question.

The purpose of the estimates is to provide authorities up to a certain level, and then there will be circumstances as the year unfolds that will impact a department's ability to deliver a program or service. It's important to understand what those factors are. They can be contractual delays, negotiations with third parties such as provinces or other jurisdictions, or issues in terms of hiring staff or filling positions. These are all important considerations that need to be understood in terms of ensuring that there is ongoing attention to the delivery of programs and services.

The lapse number in and of itself is not necessarily a problem if there is a good and valid reason that the money wasn't spent. However, it can be a red flag if there are issues with a department's ability to deliver on contractual agreements, to conclude negotiations with third parties, or to hire staff. This information is simply presented for ongoing discussion and review by parliamentarians.

● (1205)

Mr. Kyle Peterson: Presumably, sometimes parts of the lapse would be beyond the control of anybody in the federal government —

Mr. Brian Pagan: Absolutely.

Mr. Kyle Peterson: —but sometimes they would not be. When it's in the control of the federal government, we have to drill down to find out what we ought to do about it to correct the problem.

Mr. Brian Pagan: Exactly.

Mr. Kyle Peterson: How much time do I have, Mr. Chair?

The Chair: You have one minute.

Mr. Kyle Peterson: Monsieur Lapointe, you're the ADM and CFO of Transport Canada, right?

Mr. André Lapointe (Assistant Deputy Minister, Corporate Services and Chief Financial Officer, Department of Transport): That's correct.

Mr. Kyle Peterson: During the pilot project, what results did you see on this new purpose-based voting? Did you see any impact on the financial management practices of Transport Canada as a result of this pilot project?

Mr. André Lapointe: In terms of results, it didn't have a huge impact on us. It was relatively simple to implement. It was low cost, although we had to train up a few people. The votes became a little smaller, as opposed to having a large envelope, so if we had to reallocate during the year within those votes, we were limited to that box, if you will. We had to watch and be very diligent about what we could move and when. It was mostly a timing issue.

Mr. Kyle Peterson: Okay. Thank you.

Thank you, Mr. Chair.

The Chair: Mr. McCauley, you have seven minutes, please.

Mr. Kelly McCauley (Edmonton West, CPC): Thank you, Mr. Chair.

Welcome back, Mr. Lapointe and Ms. Cahill. Mr. Lapointe, I want to continue Mr. Peterson's questioning with you.

You just talked about moving money. Can you give us an example of how that would have been different from before? Just round it out for us.

Mr. André Lapointe: Sure. For example, we have some small programs of $1 million and $800,000. In some cases for those that are demand-driven and application-based, we will get a surge in one year and we'll want to accommodate that surge. In order to do that, we'll take a surplus from another program, but it has to remain within the vote.

Previously, we had large infrastructure programs in which we could reprofile funding, so the funding available for reallocation was —

Mr. Kelly McCauley: Yes, so there was a change in the reallocation. What process did you have to go through, then, under the purpose-based voting when you talked about moving money around?

Mr. André Lapointe: The only—

Mr. Kelly McCauley: Was it very similar or...?

Mr. André Lapointe: It was essentially the same, but the big difference was that we had to remain within the new vote, one of the three votes.

Mr. Kelly McCauley: Right.

Mr. André Lapointe: Had we wanted to move from one vote to another, we would have had to go back to Treasury Board.

Mr. Kelly McCauley: And to Parliament.

Mr. André Lapointe: And to Parliament.

Mr. Kelly McCauley: Mr. Pagan or Mr. Lapointe, did you present the estimates to the transport committee? It would have actually been nice if we could have had someone who was on the committee come to talk. Did you notice any different questioning, any different feedback from them on the purpose-based approach for the estimates that—

Mr. André Lapointe: There didn't seem to be a lot of change in the nature of the questions based on the way the votes were restructured.

Mr. Kelly McCauley: Mr. Pagan, you talked about lapsed funding, about red flags, and Mr. Peterson brought up a good point about it. Obviously not every lapse is an issue, so to speak, but will this type of purpose-based voting help to bring red flags to light more easily for either ADMs or parliamentarians or TBS?

Mr. Brian Pagan: It very well could—

Mr. Kelly McCauley: "Could", but not necessarily or...?

Mr. Brian Pagan: It does depend on the way forward in terms of how we would proceed. This has been a very limited pilot. It's only for a single department and it's only for their grants and contributions. The options moving forward are that we could extend purpose-based votes to all grants and contributions across government or even go beyond that into operating capital, so the answer would depend on the structure going forward.

Clearly if Parliament is voting money for one purpose and then they see that expenditures for that purpose have been well short of the authorities available, that should spark some questions and could involve a dialogue as to challenges around contracting and hiring staff, working with partners, etc.

● (1210)

Mr. Kelly McCauley: Assuming we go ahead with this, and I think the 2012 report recommended it, how would you see rolling it out? Would you do department by department to see how it goes, bit by bit, or do a chunk of departments? I'm not asking you to nail it down, but how, in your mind, would you see us rolling it out?

Mr. Brian Pagan: Notwithstanding the success the Department of Transport had with a very limited pilot, this is potentially a major change for the system in terms of financial systems and business processes. I think it would be prudent to look at options to scale up and expand slowly with another subset of departments before—

Mr. Kelly McCauley: Would you suggest another pilot or a couple of larger ones for one year?

Mr. Brian Pagan: Exactly.

In speaking with the president when we began the process of estimates reform, I think he had suggested we would expand to three, four, or five additional departments and then engage parliamentarians again on whether this was working and then roll it out gradually, based on that pilot.

Mr. Kelly McCauley: Have you had chats with other departments about getting ready for that? Is this something we can do for next year, do you think?

Mr. Brian Pagan: In undertaking the work on the TB results policy and the approval of the departmental results frameworks, we did have discussions with departments so that they understood that the results framework could be the basis of parliamentary control going forward. Departments are generally aware of Parliament's interest in this area, and of course the devil is in the details as to whether it's restricted to grants and contributions or will be applied something broader.

In terms of scaling up, I've cited changes to financial systems. These were easily managed by the department and by the Receiver General because we were dealing with a single department and a single vote structure. To introduce more departments and more votes introduces complexity, and we estimate it would take anywhere from four to eight months to gear up for that. There's also the possibility that some legislative changes would be required to the FAA, the Financial Administration Act.

Mr. Kelly McCauley: Will we have a second round?

The Chair: No—wait, sorry: you'll have a five-minute round.

Mr. Kelly McCauley: That's fine, then.

I'm sorry. Continue on.

Mr. Brian Pagan: All that is to say, Mr. McCauley, that expanding the pilot will introduce more complexity in terms of systems and business processes. We estimate that it would take somewhere between four and eight months to work those things out.

Looking forward, Mr. Lapointe mentioned the concern about being able to manage in-year in terms of managing the volume for demand-driven programs and forecasting for that. As a cover for departments that have more factors outside of their control, we have looked at practices in other jurisdictions that do something like purpose-based votes. Most of them have some sort of automatic transfer between votes in-year, without an additional parliamentary authority. Quebec, for instance, has a form of purpose-based votes, through which they allow a transfer—

Mr. Kelly McCauley: Does it not defeat the purpose if you have an automatic vote?

Mr. Brian Pagan: No, in the sense that money is still directed and departments are still accountable to report how money was approved and expended by purpose.

The issue is that if there is a change in a dollar from Mr. Lapointe's corridors grant to his infrastructure grant, does that dollar or hundred dollars require Parliament's approval, or is there a threshold below which he would have some latitude to make that change himself?

Mr. Kelly McCauley: Okay. I was going to ask if Quebec has a threshold.

The Chair: Mr. Blaikie, you have seven minutes, please.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you very much.

I just wanted to go through a couple of the items in the brief that you provided to the committee in the deck.

When you talked about impacts on the work of departments, you indicated that the Receiver General had flagged an issue with respect to the central financial management reporting system. I'm just wondering what exactly you mean by that. What's the nature of the change required, and what are some of the challenges involved in making that change?

● (1215)

Ms. Marcia Santiago (Executive Director, Expenditure Management Sector, Treasury Board Secretariat): The CFMRS, the central financial management reporting system, is a system that the Receiver General uses to collect transactional information from all of the departments. From that, they build monthly trial balances and they build the public accounts at the end of the year.

CFMRS is quite an elderly system. I think it is at least from the early 1980s. A lot of things, including the basic financial coding blocks, are basically hard-wired into this thing, and it's very hard to change.

On a small scale, from one department or a small handful of departments at a time, introducing another element, the program, into the control structure for the votes is difficult, but not a huge deal. On the scale of this pilot project, we were able to do it by just allowing more time for lead-up. They have already expressed some concern at the idea that we would go even to an expanded grants and contributions vote across the board, just because the system...they can't deal with it.

In fact, their initial costing was some extraordinarily high figure for how much it would take for them to engage in a full-out purpose-based control structure. Most of it was based on the idea that it's prohibitively expensive to do that scale of change in CFMRS at this point, until they actually update CFMRS itself.

Mr. Daniel Blaikie: Are there plans on the books to do that anyway?

Ms. Marcia Santiago: It's PSPC. I couldn't tell you. Sorry.

Mr. Daniel Blaikie: That's fair enough.

There was also a reference made to potential legislative amendments in order to implement program control on a wider scale. What kinds of legislative amendments would be required, and why?

Mr. Brian Pagan: Again, it would depend on the specific structure of the purpose-based votes going forward, but we've identified two issues that would likely be required to balance that control and ongoing latitude to manage programs. Those are the issues of year-end carry-forwards and transfers between votes.

Currently, under the parliamentary control structure, a transfer of even a single dollar between one vote and another requires Parliament's approval. The Treasury Board has no latitude to approve any transfers between votes without the consent of Parliament.

When we looked at this model in other jurisdictions—I mentioned Quebec—the legislation would allow departments a certain latitude. Quebec uses 10%. Others use higher or lower numbers, and it's only once that threshold is breached that a department would come back and seek specific parliamentary approval to transfer amounts above and beyond what is contained in the legislation.

To our mind, it is a function of that balance between control, oversight, and better reporting and having an ongoing ability to deliver programs and services. For programs and services, think about programs and services for veterans. It is demand-driven. If there is a spike for a particular veterans grant or contribution and they can't take money from elsewhere in the department to satisfy that need, they would have to come to Parliament, and at certain times of the year it can be very debilitating for departments—at the end of the year, for instance, when we don't get Parliament's approval for the final supplementary estimates of the year until the last week in March and we don't get royal assent sometimes until March 31.

Mr. Daniel Blaikie: Isn't that a part of the function of the contingency vote, vote 5? It's $750 million to be able to supplement any existing grants or contributions.

Mr. Brian Pagan: We can only supplement existing authorities if sufficient funds or a grant does not exist in a department. If a grant exists but is oversubscribed, the first recourse would be to transfer from existing authorities.

Mr. Daniel Blaikie: Yes, but if you don't have that ability because you have more restricted votes, then that would make you eligible to access funds under vote 5, would it not?

Ms. Marcia Santiago: Yes, vote 5 is available as an option. It was one of the options we talked about to the Department of Transport when we were setting the stage for this project. We didn't know what their capacity would be to be able to manage within the smaller vote structure they have, so yes, in principle vote 5 is available.

The issue arises when we start to involve much larger departments. When you have a department like Indigenous Services, which has something in the order of $7 billion in voted transfer payments, then we're going to blow vote 5 quite quickly if something goes horribly wrong with their year-end situation.

● (1220)

Mr. Daniel Blaikie: You'd mentioned two issues, and we've talked about one, transferring between votes within a department. What's the other legislative issue you've identified?

Mr. Brian Pagan: The other is that currently we have two models before Parliament. Most departments operate on an annual appropriations basis, but a small subset of departments, those being Canada Revenue Agency, Canada Border Services Agency, and Parks Canada, have two-year non-lapsing authorities. In a world where we would be taking a big number and breaking it into smaller votes, and where the final supplementary estimates of the year aren't approved until March 31, in some cases, having the authority to extend non-lapsing authorities to other departments is something we would want to test.

It seems to be working well, most notably with CRA—

Mr. Daniel Blaikie: Thank you. I'm going to have to stop you there. I've got about 15 seconds left, and I want to move the motion I gave notice of the other day:

> That, pursuant to Standing Order 108, the Committee request that the Treasury Board Secretariat provide information no later than Tuesday, July 3, 2018, pertaining to the participation of employees of Canadian Nuclear Laboratories in the Public Service Pension Plan, in particular an "assessment of what the cost to government would be in terms of allowing them to remain in the plan", as was committed to by Treasury Board Secretariat officials during the Committee's meeting of Thursday, November 9, 2017.

The Chair: Thank you.

Before we go to Madam Ratansi, who I think is raising her hand on a point of order, I will inform colleagues that the motion is in order and debate would begin on this motion immediately.

Madam Ratansi, did you have a point of order?

Ms. Yasmin Ratansi (Don Valley East, Lib.): No. I would allow Mr. Blaikie to finish on why he wants to present this motion or if he wants to say any more on it.

The Chair: He has the ability to present the motion when he is speaking, which he has done, and the motion is in order.

Mr. Blaikie, the motion has been received. Copies are being distributed as we speak. The floors is yours.

We are entertaining speakers if anyone wants to speak to the motion. Madam Ratansi, you can put your name on the speakers list. We already have a couple.

Go ahead, Mr. Blaikie.

Mr. Daniel Blaikie: Thank you very much, Mr. Chair.

I'm moving the motion now only because it's the last meeting before summer. Members who have been following this issue may know that it's effective in September.

These workers were essentially put on course to be kicked out of the public service pension plan by the Harper government. It was a three-year term, and that's coming to fruition, as it were, if you'll excuse the word, in September. I know the government has been talking with the folks who represent these workers ever since their election.

It came up at one of our committee meetings in November. In November, we had a commitment at the time to.... The question was, essentially, how much it would cost the government to keep these workers in the plan.

Under the new public-private model that's been adopted for ACL under the Canadian Nuclear Laboratories shell company, the private contractor is required to pay for a pension plan. For the last three years, for the workers who have been there—not the new workers, but the existing workers—the private contractor, as part of their contract, has been making the employer contributions on behalf of those employees to the plan. There's no cost to government in terms of the contribution; however, there are some administrative costs. That's what the folks representing those workers and the workers themselves have been wanting to know: what exactly does the government estimate, based on the last three years of the government doing that, would be the cost to keep those workers in the plan?

We did have a commitment going back a while ago to get that information; we just haven't got it yet. Before the end of the summer I was hoping that the committee might assist those workers by essentially reiterating our request for that information to the President of the Treasury Board so they have it with at least a bit of time to consider what that information means for them and to come back to government with a proposal. I know they've been talking to the PMO and Treasury Board, and they've been talking to Minister Carr's office because Minister Carr is ultimately responsible for CNL. They'd like that information to be able to see if they can work out some kind of deal so these guys can keep their pensions.

That's really the purpose of the motion.

I won't take any more of the committee's time.

● (1225)

The Chair: Thank you.

We have three names on my speakers list: Mr. McCauley, Mr. Kelly, and Madam Ratansi.

Mr. McCauley, you're up next.

Mr. Kelly McCauley: In general, I support the motion. I don't see why this information should not be provided.

I'll just ask a question. If I'm reading it right, it says it was committed to the committee by TBS.

Mr. Daniel Blaikie: Yes.

Mr. Kelly McCauley: I think it's important that the motion go forward.

We saw a previous commitment made to this committee by the President of the Treasury Board to appear on the important whistle-blower study. Of course, here we are two days out before the end of the session and he's refused to show up or honour the request, even though he made the commitment to us in this committee. He has not bothered showing up. I think it shows the importance of having a motion such as this to compel the information to come forward for this important issue.

That's all I have.

The Chair: Thank you very much.

Mr. Kelly is next.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): I'd like a brief word in support of the motion.

It just comes to accountability on the part of the President of the Treasury Board. As Mr. McCauley pointed out, that accountability has been challenged in many ways, particularly in his failure to appear when he told us he would.

I'll leave it at that.

The Chair: Go ahead, Madam Ratansi.

Ms. Yasmin Ratansi: Thank you, Mr. Chair.

I have in front of me the question that was presented by Mr. Blaikie and received by the Treasury Board on April 12, 2018, and he received a response. The response was tabled on May 30. For the information of everyone here I will read it, and I quote:

> On September 13, 2015, Atomic Energy of Canada Limited transferred Canadian Nuclear Laboratories (CNL) to a private sector company. As a result, following the transfer, CNL employees became private sector employees.
>
> The Public Service Superannuation Act does not permit private sector employees to be members of the public service pension plan. Following the maximum period of transitional coverage under the Public Service Superannuation Act (3 years), under the legislation employees of CNL will not be eligible to participate as active members of the public service pension plan beyond September 13, 2018.
>
> The Government continues to be engaged with the employees and their unions on this issue, and is committed to doing everything it can to offer the appropriate pension protections for the impacted employees.

I believe that the motion is really redundant.

Thank you, Mr. Chair.

The Chair: Thank you.

Go ahead, Mr. Blaikie.

Mr. Daniel Blaikie: Thank you.

If I may reply, that is a response to an order paper question that I filed on this point. I filed it after the committee meeting that the motion refers to because I didn't get an answer from the President of the Treasury Board.

What I would say is that there is a basis for calculating what the cost would be. I understand what the legislation says. I think what you'll find if you talk to those workers is that they're saying this arrangement worked well for the last three years. Also, of course, in Parliament we have the luxury of being able to amend legislation, so the fact that current laws prohibit something doesn't mean that we can't allow it by amending the legislation.

What they're interested to know is what the cost would be, because if it's a really high cost, then it might be unreasonable to expect Canadian taxpayers to subsidize their ongoing participation in the public service plan. Their estimation—they hired an actuary—is that the cost is actually very low. Government presumably has a sense of what it has cost over the last three years to keep them in the plan under the current provisions of the public service pension act. They'd just like to know what it has been costing the government for the last three years. There is a way to figure out what it's been costing per year for the last three years.

It's really hard to believe that the government went ahead and made a decision after negotiating with them for two years and, I might add, giving them the impression that this might actually be possible. They've started a campaign to try to keep themselves in the pension plan only in the last couple of months, when they started getting that answer instead of the answer they had been getting for the last couple of years, which was that this might actually be possible. I think they feel a bit led on, but they still want to work constructively with government because they are really eager to stay in the pension plan.

It's not just for themselves. I think it's also important to say that where I'm from in Manitoba, we have an AECL site that's about to move into a decommissioning phase. A lot of those workers have worked and lived in Pinawa for a long time, but some of them are 15 years, say, into the plan. Instead of sticking around for the decommissioning, they're starting to say that maybe they need to be looking elsewhere for work, and maybe they want to be somewhere else. I think that losing that kind of site-specific knowledge on the cusp of the decommissioning process isn't very good.

There's a question, I think, of a moral obligation to these folks who are in a pension plan and would like to stay in it, but there's also a logistical consideration, which is whether it makes sense to be losing people with experience and site-specific knowledge on the cusp of important projects. All they're asking for is to know what the government estimates the cost has been over the last three years to keep them in the plan, even though they weren't technically working for the government. Even though they were performing all the same work on all the same sites with all the same equipment, they were no longer technically working for government. Nevertheless, they were still in the plan.

All we're asking for is to know what the government thinks that cost has been over the last three years so that they can go back to government with a proposal. That may include some legislative amendments, but I don't think that's the end of the world. We were just talking about legislative amendments to change the control structure for votes, and nobody said that because the current law doesn't permit it there's no way we could possibly do it. Instead we had a good conversation about what kinds of amendments we might make to the law in order to enable something good to happen.

They're just asking for what it has cost. We've been doing it for the last three years. I think it's reasonable. When Treasury Board was here in November, I think they more or less agreed that it was reasonable. They said that they were looking into getting those numbers and that as soon as they had them they would share them with the committee. It's hard for me to believe the government made that decision without having the numbers, so presumably they have them. The workers would just like to have that information shared with them so that they can try to work with government to find some kind of solution.

I felt the need to respond to Madam Ratansi's citing of that order paper question. It's true that I did ask that question. I've asked that question in many forms, as many as I possibly can, and as soon as I have the answer, I can stop asking the question.

● (1230)

The Chair: Thank you very much, Mr. Blaikie.

Seeing no other names on my speakers list, I will read the motion into the record once again. Then we'll have a vote on the motion.

Mr. Daniel Blaikie: Could we have a recorded vote, please?

The Chair: It can be a recorded vote, Mr. Blaikie, certainly.

The motion reads:

> That, pursuant to Standing Order 108, the Committee request that the Treasury Board Secretariat provide information no later than Tuesday, July 3, 2018, pertaining to the participation of employees of Canadian Nuclear Laboratories in the Public Service Pension Plan, in particular an "assessment of what the cost to government would be in terms of allowing them to remain in the plan", as was committed to by Treasury Board Secretariat officials during the Committee's meeting of Thursday, November 9, 2017.

The motion is on the floor. All in favour?

(Motion negatived: nays 6; yeas 3)

The Chair: Thank you, Mr. Blaikie.

We are now back to our round of questions. We're still on the seven-minute round.

We're starting with Mr. Jowhari.

Mr. Majid Jowhari (Richmond Hill, Lib.): Thank you, Mr. Chair.

It's good to have you back, Mr. Pagan and Mr. Lapointe.

I want to take a step back. In setting up this pilot, what were the key considerations? Why was Transport Canada picked and why were grants and contributions picked as a line item?

Mr. Brian Pagan: Thank you.

That's a very good question in terms of understanding how we approached this pilot.

There were two primary risks identified with moving from a big aggregate vote to smaller votes, and we've touched on those. They are the increased complexity and the rigidity or challenges in managing cash flow between demand-driven programs, challenges that could negatively impact the delivery of programs and services. We also considered the cost and practicality of making changes to financial systems and business processes.

Above and beyond those risk factors, we looked at a number of other criteria, including the number of programs within an existing vote and the existence of unusual patterns or spikes in activity that could bump up against a vote ceiling during the fiscal year.

These were the principal reasons we limited the pilot to grants and contributions. There are a number that have very regular spending patterns and that easily fit within an existing purpose. On that basis, we approached Transport Canada in 2016-17 to undertake a pilot in that grants and contributions space.

● (1235)

Mr. Majid Jowhari: Mrs. Santiago's brief statement mentioned CFMRS, which I think is the financial system you guys are using.

Ms. Marcia Santiago: That's of the Receiver General.

Mr. Majid Jowhari: There is some limitation from a coding block that kind of inhibits you from being able to move into a larger pilot or a different pilot or a bigger chunk of money or a different line items in the estimates. Can you expand on that one?

Ms. Marcia Santiago: That's right.

It's because the system we use to prepare the estimates is built on SAP, and I'm not sure.... They are built on Oracle. These are relatively new, and they are still evolving systems.

We have, as I said, relatively new instances of these financial systems on our side of the pilot. To be honest, I'm not even completely sure what the foundational information and architecture of CFMRS involve. I suspect it was completely built from the ground.

Mr. Majid Jowhari: What, for us, were the key lessons learned as they relate to the system? The next step is for us to go to three or four departments and a larger number. With this system, or with the code as a constraint, how is that going to...?

Ms. Marcia Santiago: As Mr. Pagan said, the immediate lesson is that we need to give the Receiver General and CFMRS at least four to eight months—and probably closer to eight months—in lead time for them to be able to basically build enough workarounds to let their system accommodate a few extra departments. If we go much past that, the RG has only flagged that it will be costly and effort-intensive. We haven't actually said what it's going to be, although it's in all departments. Until we give them what the upper limit is, they can't give us a complete cost.

Mr. Majid Jowhari: What do you mean by "upper limit"? Is it a dollar value or the number of...?

Ms. Marcia Santiago: "Upper limit" would be the number of departments.

Mr. Majid Jowhari: Okay.

Ms. Marcia Santiago: Right now we have something in the order of 200 expenditure-based votes in the estimates. If we were to go to the full 300 or so purpose-based votes, that would probably break the systems.

Mr. Majid Jowhari: Okay.

You mentioned two items. One was transfers between votes, and the other one was carry-forward. Mr. Pagan, can you explain what the carry-forward is?

Mr. Brian Pagan: Currently most departments are on an annual appropriation that ends at fiscal year-end, March 31st, but within that annual appropriation there is a construct of a permitted carry-forward amount. In the operating budget space, departments can carry forward up to 5% of their main estimates amount. This was introduced back in the early 1990s. It was a recommendation from the Auditor General and from a public service task force at the time to deal with the notion of year-end spending, which used to be known as "March madness".

It's a sensible construct to incentivize departments to use the money in a future year for the program and service rather than spending it on something unplanned. That regime has worked, I think, very well over the past 25 years. It's been reviewed by the Auditor General and parliamentary committees. In fact, it worked so well that after the first two years, it was increased from a 2% carry-forward to a 5% carry-forward. It's stayed at that level for operating votes ever since.

In 2011 we introduced the concept of a capital budget carry-forward with the exact same principles: rather than having money lapse or spent at year-end on something that wasn't a priority for the department, they could carry forward their capital budget into the future year for approved programs and services—

● (1240)

Mr. Majid Jowhari: Thank you for that one.

You mentioned financial systems, process changes, and legislative recommendations. We talked about the first one and the third one.

What are some of the key business process changes that needed to take place?

The Chair: You only have a very, very little period of time to answer the question.

Mr. Brian Pagan: It was primarily forecasting, looking at your demand requirements and making sure that you're forecasting appropriately for year-end.

Mr. Lapointe may have some other insights.

Mr. André Lapointe: No, as Mr. Pagan said, we had to pay closer attention to the behaviour of the individual programs in each vote.

Mr. Majid Jowhari: Thank you, Mr. Chair.

The Chair: Colleagues, since we have limited time left, I would suggest we have two last interventions, one from the government and one from the official opposition. Then we'll have a brief recess while I suspend. Then we'll go in camera and hopefully have some very brief remarks on drafting instructions.

Go ahead, Mr. Kelly, for five minutes, please.

Mr. Pat Kelly: I'd like to go back to some of the comments that came in response to one of Mr. Blaikie's questions.

Ms. Santiago, you mentioned the limitation of the contingency vote in the event of a catastrophic problem in a larger department through which the numbers would just overwhelm the limited funds in vote 5, and that it would necessitate an appeal to Parliament to have additional funds.

Isn't that somewhat the point? If there was something catastrophic in a large department, should that not come to Parliament's attention? Shouldn't there be a necessity for a vote in Parliament to reallocate money to deal with a large-scale failure?

Ms. Marcia Santiago: The intention wasn't to argue against the need to come back to Parliament for significant material changes in the cash requirements of programs. It was really more a case of the possibility of introducing a 10% allowance for transfers to be approved outside of the parliamentary process. It was exactly that. It was meant to be a small allowance on the total G and C, operating, or whatever envelope, even on total supply. The idea was just to introduce a small amount of flexibility so departments could respond immediately, rather than being tied to either the limitations of a small central capacity for contingency or to the supply cycle.

Mr. Brian Pagan: Mr. Kelly, on that point, the supply cycle is very restrictive, as you know. Government can only introduce supply to the House of Commons on the last opposition day in each of the three supply periods. If something were to happen in advance of that supply date—we had an instance several years ago when a ferry sank off the west coast of B.C., and the Transportation Safety Board had to do an immediate investigation—we don't have the ability to go to Parliament to get that funding outside of supply, so vote 5 is the mechanism by which Parliament grants us the authority to provide that immediate relief to departments.

What we were saying here is that in the future, if we add in more grants and contributions or more votes to this pilot, we would either need to increase the contingency vote or otherwise provide flexibilities for departments to manage changes in volume.

Mr. Pat Kelly: I think the Standing Orders do allow for addressing supply on an emergency basis through government orders. When there is a national emergency and there is co-operation between parties in recognition of that, that is a possible way to deal with such things.

Really we're down to this conflict between bureaucratic expediency and democratic accountability. Those are two different things. I do understand that if you make the accountability measures so difficult that departments can't execute their functions, that's a problem, but allowing latitude for expenditure without proper oversight is an issue as well. That's what the conflict is.

Just in the last moment I have left, I can maybe address the issue of vote 40 as it applies to the Department of Transportation. There was $60 million in the A2.11 table of the budget. How do these allocations fit within purpose-based votes? Will funds allocated under vote 40 be transferrable according to purpose-based votes? How will that work?

● (1245)

The Chair: If you could create an answer in about 30 seconds, it would be appreciated.

Mr. André Lapointe: Some items listed in vote 40 were approved —for instance, the one maintaining rail service to remote communities. That is a G and C vote and would fall into one of our three votes. It's not reflected in 2018-19 because it expires, and now it will show up in the next round of estimates.

The Chair: Thank you very much.

Our final intervention will come from Madam Ratansi.

Ms. Yasmin Ratansi: Thank you very much.

Thank you all for being here.

I was just looking at the genesis of how this program of purpose-based votes came about. There was a report entitled "Strengthening Parliamentary Scrutiny of Estimates and Supply", in which Mr. Page, at that time the PBO, advised the OGGO committee to "move it away from voting on inputs, operating, capital, and grants and contributions to a program activity basis." Then I looked at some of the breakdowns you have provided. That made it easier for me to understand that your vote 5, which is grants and contributions, was then broken down into votes 5, 10, 20, etc.

Having done that, I'm trying to figure out some of the challenges that were faced. Perhaps Transport Canada can address this. When you were going from the old system to the new system, were there any challenges faced, were there any hiccups you went through, and was there any room for improvement in that system?

Mr. André Lapointe: Thank you for the question.

By and large the transition was relatively smooth. There was one instance in 2016-17, at period four, where there was a risk of overspending in that vote, so we were contemplating whether or not we should ask for a vote transfer from one of the lapsing votes into that one to cover it off. We would have had to do that in supplementary estimates (C), and we were contemplating that. We had a late reprofile request that was in with the Department of Finance and Treasury Board, and we hadn't had an answer. Usually they're quite diligent about doing that; sometimes they take a little longer. To ensure that we were not at risk on that vote, we would have requested a transfer.

We decided to hold off and monitor, and in the end the reprofile request came in and it was fine. However, we could have possibly been in a situation at the end of the year, in March, in which we would have received funding that would have essentially lapsed because we would have had money coming in—

Ms. Yasmin Ratansi: In your opinion, is this a step in the right direction? I know the PBO wanted it, and he says here it's to provide clarity to parliamentarians through a breakdown. Has it helped you do your business differently or more accurately, and have you been able to provide parliamentarians with clarity?

Mr. André Lapointe: Even in the system prior to the pilot, all of the grants and contributions were listed, and they continue to be listed. They're now bucketed in different themes. Presumably that is proving helpful for parliamentarians, although we did not necessarily see a latching on to that during transportation committee hearings.

Ms. Yasmin Ratansi: The Senate finance committee recommended extending this pilot to the TBS. What other departments might you be going to? Are there any other pilot projects that you're proposing?

● (1250)

Mr. Brian Pagan: Thank you, Madame Ratansi.

We would be looking for direction or input from parliamentarians in terms of how to expand the pilot—should it be confined to Gs and Cs and rolled out to a broader subset of departments, or should it encompass other votes, including operating and capital? There are advantages and disadvantages to each, as we've heard today.

We've made the case that change of this magnitude requires careful planning and consideration, and so a gradual approach to roll this out over time, I think, would be appropriate.

Ms. Yasmin Ratansi: Are there any risks, and what would you do to mitigate risks in going from the old system to this pilot system?

Mr. Brian Pagan: Risks would be related to challenges in dealing with old and rickety financial systems—there are some challenges there—and depending on the contours of the purpose-based votes, the complexity that would be introduced in terms of managing programs and services for Canadians. At the end of the day, we understand the interest in oversight and accountability and we take that very seriously, but we would also be concerned about the ability of the government and government departments to deliver programs and services to Canadians.

Ms. Yasmin Ratansi: Thank you.

The Chair: Madam Cahill, Madam Santiago, Monsieur Lapointe, and Mr. Pagan, thank you all for being here. You have provided some clarity, I'm sure, to committee members.

We will suspend now, colleagues, for a couple of moments. Then we'll come back in camera.

[*Proceedings continue in camera*]

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